

TO: Recipients of LSTA Grants

FROM: Jay Cunningham, LSTA Coordinator

DATE: December 5, 1997

SUBJECT: Federal Restrictions on Use of LSTA Funds

There has been a transition in the administration of the Library Services and Technology Act (LSTA). The program is now administered by the Institute of Museum and Library Services (IMLS), succeeding the U.S. Department of Education (USDE), which oversaw the predecessor Library Services and Construction Act (LSCA). This change has been the source of some confusion about which Federal regulations now apply to the use of LSTA funds by grant recipients. As indicated in your grant award letter, your project is now covered by LSTA and the regulations administered by IMLS. IMLS is independent of USDE and is therefore not governed by USDE's Education Department General Administrative Regulations (EDGAR), which constituted the main regulatory authority for LSCA.

However, most of the expense guidelines (called "allowable costs") explained in EDGAR were drawn from "underlying" Federal codes and regulations, and those underlying guidelines are still applicable under LSTA. Other underlying guidelines did not appear in EDGAR but also do apply to the use LSTA grant funds, effective with the grant period beginning October 1, 1997. These guidelines are important to consider in carrying out projects. Some restrictions have not been covered heretofore in the LSCA/LSTA Information Guide issued by the State Library, e.g., expenditures for Entertainment and for Premiums and prizes (see attached).

To clarify some of the more commonly-occurring questions regarding how grant funds can be used, the attached bulletin lists important highlights of allowable and unallowable costs which apply to 1997/98 grant projects, for the guidance of recipients. Administrators of LSTA grant projects are cautioned that they must abide by these regulations in conducting their projects and in allotting charges against grant funds.

In case of questions please contact me at (916) 653-8112.

encl.

JLC:jlc:allow

RESTRICTIONS ON THE USE OF LSTA GRANT FUNDS

The following explanations are extracted from Federal regulations that prescribe the allowable and unallowable expenses that may be incurred by grant award recipients which use Federal funds under LSTA. Governmental units and other grant recipients assume responsibility for administering federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of a Federal award. This list is intended for the advice and guidance of grant recipients under the Library Services and Technology Act (LSTA). In cases of ambiguity, uncertainty, or questions in identifying cost items or determining their allowability under Federal procedures, please contact Jay Cunningham, LSTA Coordinator, (916) 653-8112.

ADVERTISING AND PUBLIC RELATIONS

Advertising costs are allowable only when incurred for the recruitment of personnel, the procurement of goods and services, the disposal of surplus materials, and other specific purposes necessary to meet the requirements of the Federal award. Public relations costs are allowable when incurred to communicate with the public and press pertaining to specific activities or accomplishments that result from performance of the Federal award. Costs of advertising and public relations at conventions, meetings or other events, including displays, demonstrations, exhibits, meeting rooms, hospitality suites, and special facilities used in conjunction with shows and special events; and salaries of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings are unallowable. Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.2.

ALCOHOLIC BEVERAGES

Costs of alcoholic beverages are unallowable. Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.3.

CONTRIBUTIONS AND DONATIONS

Contributions and donations, including cash, property, and services, that use grant funds and made by grant recipients to others, regardless of the recipient, are unallowable. Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.11.

ENTERTAINMENT

Costs of entertainment, including amusement, diversion, and social activities, and any costs directly associated with those, such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities are unallowable. Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.14.

FUND-RAISING

Costs of organized fund-raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable.

Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.15.

GENERAL GOVERNMENT EXPENSES

The general costs of government, including services normally provided to the general public, such as fire and police, are unallowable. Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.16.

INCOME FROM PROJECT

Project income, e.g., fees charged for use of library space in the context of a grant project, or recover out of pocket project-related costs, or create products such as manuals, or other expenditures directly related to and used for the purposes of the grant and accrued under the conditions of the grant award, are allowable. Source: 45CFR Ch. XI (10-1-96), Part 1183.25.

LOBBYING

The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements or loans, is unallowable. Costs of membership on organizations substantially engaged in lobbying are unallowable. Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.21.

MEMBERSHIPS, SUBSCRIPTIONS, AND PROFESSIONAL ACTIVITIES

Costs of the grant recipient's memberships in business, technical, and professional organizations are allowable. (NOTE: The State Library's policy is that use of LSTA funds for personal memberships in organizations is not permitted.) Subscriptions to business, professional, and technical periodicals are allowable. Costs of meetings and conferences where the primary purpose is the dissemination of technical information, including meals, transportation, rental of meeting facilities, and other incidental costs are allowable. Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.21.

PREMIUMS, PRIZES, INCENTIVES, AND SOUVENIRS

Costs of promotional items and memorabilia, including models, gifts, and souvenirs are unallowable. Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.3.

REFRESHMENTS

See ENTERTAINMENT.

TRAINING

The cost of training provided for employee development is allowable. Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.24.

TRAVEL EXPENSE

Travel costs are allowable for expenses for transportation, lodging, subsistence, and related items incurred by employees traveling on official business. Charges should be consistent with those normally allowed in like circumstances of the grant recipient organization in its regular operations and policy, in non-federally sponsored activities. Reimbursement is the preferred method of payment. (NOTE: The State Library's policy on out-of-State travel and conferences is that they are unallowable "except for routine neighboring state meetings needed to carry out approved project" activities.) Source: OMB Circular A-87 Revised, dated May 4, 1995, p. Att. B.24.